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REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER PROVISIONS OF THE CONVENTION

NATIONAL COMMUNICATIONS FROM PARTIES INCLUDED IN ANNEX I TO THE CONVENTION

Second compilation and synthesis of second national communications

Summary

Note by the secretariat

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I. INTRODUCTION

A. Background

1. Articles 4.1, 4.2 and 12 of the Convention require Parties included in Annex I to the Convention to communicate information periodically to the Conference of the Parties (COP). By its decision 9/CP.2,[1] the COP requested Parties to submit second national communications by 15 April 1997, while Parties with economies in transition should, in principle, submit their communications no later than 15 April 1998. In preparing these communications, Parties were requested to use the guidelines contained in the annex to decision 9/CP.2.

2. As requested by the COP, and decision 9/CP.2, a first compilation and synthesis of second national communications from Annex I Parties was prepared for consideration by the COP at its third session. At that session, the COP, by its decision 6/CP.3,[2] requested the secretariat to prepare a full compilation and synthesis of second national communications from Annex I Parties for consideration at its fourth session. In response to this, the present document has been prepared drawing upon information from 36 Parties included in Annex I to the Convention.[3]

B. Approach

3. The summary of the compilation and synthesis in this document focuses on broad trends during the period 1990 to 2010. The full compilation and synthesis is provided in document FCCC/CP/1998/11/Add.1, and tables with data on greenhouse gas emissions inventories and projections have been compiled in document FCCC/CP/1998/11/Add.2. Key issues related to the revision of the guidelines for the preparation of national communications are included in a separate section in the full document, and could serve as inputs to the process for revising further the reporting guidelines.

II. REPORTING ISSUES

4. Nine Parties submitted their second national communications by the due date, and five Parties had not submitted their second national communications by 15 September 1998. The late receipt of national communications, and the fact that few Parties fully complied with the guidelines, in particular reporting data in tabular format, has hindered the process of compilation

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1 FCCC/CP/1996/15/Add.1.

2 FCCC/CP/1997/7/Add.1.

3 The document includes information from all Parties included in Annex I, except Romania. Information from 30 second national communications, the draft second national communications of the Russian Federation, and excerpts of the second national communications of Italy and Luxembourg are considered. The first national communications of Lithuania and the Ukraine, and an excerpt of the first national communication of Slovenia, are also considered as they were not considered in earlier compilation and synthesis reports of first national communications.

and synthesis as well as the timely consideration of the information required to be submitted by Parties (see table below).

Submission of second national communications

Delay in submission	Annex I Parties	
	Annex II (15 April 1997)	Economies in transition (15 April 1998)
on time	Finland, Germany, Netherlands, Norway, United Kingdom	Czech Republic, Estonia, Hungary, Slovak Republic
1 month	Canada, Monaco,[4] Sweden, Switzerland	Poland
1-3 months	France, Ireland, New Zealand	Bulgaria, Latvia
3-6 months	Austria, Belgium, Iceland, United States	
6-12 months	Australia, Denmark, Greece, Japan, Portugal, Spain	
>12 months	European Union	
not submitted[5]	Italy, Luxembourg	Lithuania, Romania, Russian Federation

5. In accordance with Article 4.6 of the Convention, Parties with economies in transition (EITs) may seek a certain degree of flexibility with respect to the implementation of their commitments. The Czech Republic, Poland and Ukraine noted their difficulty in presenting information related to projections of emissions of greenhouse gases. In preparing its second national communication Poland used the UNFCCC Guidelines developed for the first national communications. Poland also invoked flexibility with regard to presentation of inventory data on a two-year, instead of an annual, basis.

III. TRENDS IN GREENHOUSE GAS EMISSIONS

A. Reported levels: 1990-1995

6. In 1990, Annex I Parties collectively emitted in CO_2 equivalent approximately 17,500,000 Gg of the six greenhouse gases (CO_2, CH_4, N_20, HFC's, PFC's and SF_6), not including the land-use change and forestry (LUCF) sector. In 1995, these emissions were about 4.6 per cent lower. These aggregate emissions dropped sharply between 1990 and 1991, decreased less sharply over the next three years, and have increased since 1994. Contributing to this overall trend, EITs have exhibited declining emissions from 1990 levels, with a reversal of this trend

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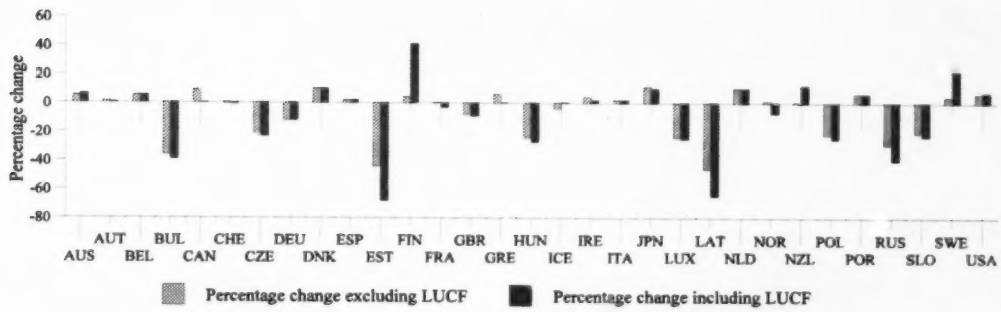
[4] Monaco notified the Depositary of its intention to be bound by subparagraphs (a) and (b) of Article 4.2 of the Convention on 24 November 1992.

[5] Ukraine has not submitted its second national communication since its first national communication was submitted in February 1998 as due.

starting to occur for these Parties after 1994.[6] Emissions from EITs declined by 28 per cent and emissions from the European Community, as reported in its national communication, declined by 3.8 per cent during the period. Annex II Parties as a whole exhibited growing aggregated GHG emissions, with an increase of 3.5 per cent from 1990 to 1995. Only Germany, Luxembourg and the United Kingdom reported decreasing emissions throughout the period.[7]

7. The decline in "net" aggregate GHG emissions (including land-use change and forestry) between 1990 and 1995 is greater than the decline in gross emissions (excluding land-use change and forestry), reflecting increasing reported sequestration in Annex I Parties as a whole; these "net" emissions were 6.7 per cent lower in 1995 than in 1990 (see figure 1).

Figure 1. Percentage change in aggregate GHG emissions, 1990 to 1995 (excluding and including land-use change and forestry)



Note: Canada, Greece, Iceland and Monaco did not report estimates from the land-use change and forestry category. Austria reported total GHG emissions including land-use change and forestry in 1995 at the same level as in 1990, and France, New Zealand and Switzerland in 1995 reported emissions at the same level as in 1990, excluding the land-use change and forestry category.

8. In 1995, for Annex I Parties as a whole on a CO_2 equivalent basis, carbon dioxide contributed the largest share to total aggregated GHG gross emissions (82 per cent), followed by CH_4 (12 per cent) and N_2O (4 per cent), while HFCs, PFCs and SF_6 taken together contributed to about 2 per cent of total emissions. The relative shares of the gases did not change significantly from 1990 to 1995, with the exception of an increase for HFCs, PFCs and SF_6 from 1.5 to 2.1 per cent over the period, reflecting sharply rising use and emissions of these substances.

9. Total CO_2 emissions in 1990 for Annex I Parties as a whole were approximately 14,300,000 Gg. These emissions decreased by 5 per cent from 1990 to 1995. For Annex II Parties considered as a group emissions of CO_2 increased by 3 per cent while for EITs they decreased by 29 per cent.

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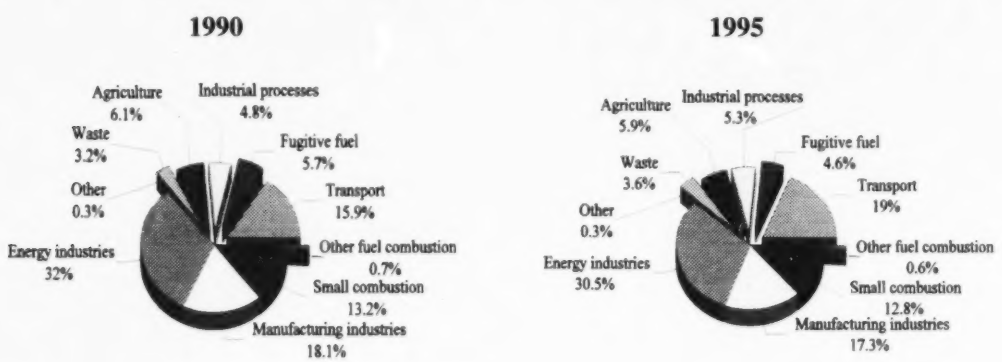
6 EIT's accounted for 24 per cent of greenhouse gas emissions from Annex I Parties as a whole in 1995.

7 This was due to a shift from coal to gas in Germany (and to the effects of reunification) and in the United Kingdom and the conversion of blast furnaces to electric arc furnaces in Luxembourg.

10. The fuel combustion category typically accounts for some 95 per cent of a Party's CO_2 emissions. Within this category, the energy and transformation industries sub-category is the largest source of CO_2 emissions and accounts for approximately 36 per cent of total CO_2 emissions. Emissions from this sub-category were 2 per cent lower in 1995 than in 1990 for Annex I Parties as a whole, while emissions from Annex II Parties as a group remained stable.

11. In the transport sub-category, however, CO_2 emissions have grown rapidly, with transport emissions rising from 15.9 to 19 per cent of Annex I Party emissions between 1990 and 1995. This represents the most significant rise of any sector (see figure 2). All Annex II Parties (except Finland and Switzerland) exhibit increased emissions from transport in 1995 between 2 per cent and 31 per cent higher than in 1990, and on average 12 per cent higher. There is an accelerating increase in transport emissions, both in EITs and in Annex II Parties. Although the growth in emissions from passenger vehicles accounts for the bulk of the increase, emissions from aviation, which are smaller in absolute terms, are increasing at a faster rate.

Figure 2. Share of GHG emissions by source, 1990 and 1995



12. Total CH_4 emissions from Annex I Parties were about 108,000 Gg in 1990 and decreased by 8 per cent from 1990 to 1995. The overall decrease can be explained mainly by decreases in emissions from fugitive fuel and, to a lesser extent, from the agricultural sector. Emissions from waste have grown in most Parties, but not by enough to offset this decreasing trend.

13. Total N_2O emissions for all Annex I Parties were about 2,200 Gg in 1990 and decreased 6 per cent from 1990 to 1995. Several contrary trends underlie this aggregate figure. Emissions growth in the transport sectors was offset by a significant decline in emissions from industrial processes, largely due to declining emissions from adipic acid production. Mixed patterns are observed in N_2O emissions from agriculture.

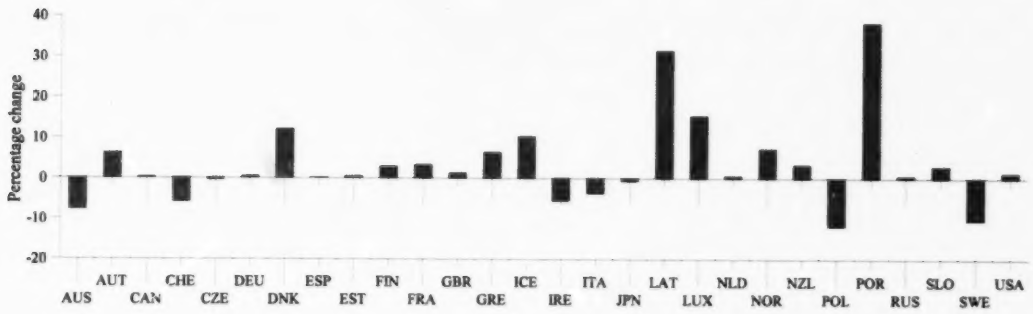
14. For those Annex I Parties which reported information from the land-use change and forestry category, combined CO_2 sequestration amounted to about 1,250,000 Gg in 1990 and

1,400,000 in 1995.[8] This reflects the increasing importance being given to enhancing sinks. The average annual sequestration is about 10 per cent of the annual CO_2 emissions from Annex I Parties as a whole.

15. Annex I Party CO_2 emissions from international bunkers were approximately 3 per cent of total CO_2 emissions in 1990 and 8 per cent of emissions from the transport sector. These emissions increased by about 10 per cent from 1990 to 1995, one of the largest rates of increase for any category. For Greece, Iceland and the Netherlands they constitute more than 15 per cent of total CO_2 emissions.

16. The 1990 inventory data has been revised by all Parties, except two,[9] as a result of additional information or changes in the methodology used. Revised data were both higher and lower than the data originally submitted, and for some Parties the change is quite significant (see figure 3). The revised 1990 figures for Annex I Parties as a whole are about the same as previous estimates in absolute terms.

Figure 3. Changes in 1990 (or base year) GHG inventories between first and second national communications



Note: For purposes of consistency and comparability, emissions of HFCs, PFCs and SF_6, and emissions/removals from land-use change and forestry are not considered in this figure.

B. Projected levels: 2000 and 2010

17. Aggregate emissions of greenhouse gases (excluding land-use change and forestry) from Annex I Parties as a whole are projected to be approximately 3 per cent below 1990 levels in the

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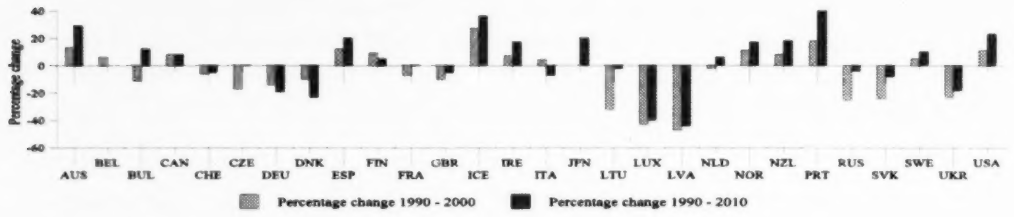
8 EITs share of the sequestration was about 40 per cent in 1990 and 50 per cent in 1995.

9 Bulgaria did not revise its base year (1988) inventory, but did revise its 1990 inventory, and Hungary did not provide either a base year (1985-87) or 1990 inventory in its second national communication.

year 2000 and about 8 per cent above 1990 levels in the year 2010[10] (see figure 4).

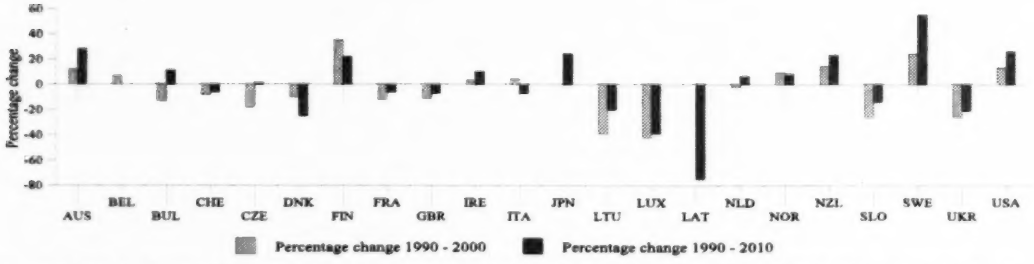
Figure 4. Percentage change in aggregate GHG emissions, 1990 to 2000 and 2010 (excluding land-use change and forestry)



Note: Austria, Estonia, Greece, Hungary, Monaco, Poland and Slovenia did not report projections for all three main GHGs (CO_2, CH_4 and N_2O), and therefore they were not included here. Belgium reported projections for all GHGs until 2005, and Japan for 2010 only. The Czech Republic and France projected total GHG emissions in 2010 to be at 1990 levels.

18. Aggregate greenhouse gas emissions from Annex I Parties, with the inclusion of land-use change and forestry,[11] are projected to be approximately 5 per cent lower in the year 2000 as compared to 1990, and about 7 per cent higher in the year 2010[12] (see figure 5).

Figure 5. Percentage change in aggregate GHG emissions, 1990 to 2000 and 2010 (including land-use change and forestry)



Note: Austria, Canada, Germany, Greece, Hungary, Iceland, Monaco, Poland, Portugal, Russian Federation, Slovenia and Spain did not report projections in the land-use change and forestry category, and Latvia reported land-use change and forestry projections for 2010 only. Belgium reported projections for all GHGs only until 2005, and Japan for 2010 only. Although Estonia reported land-use change and forestry projections, as it did not report projections for CH_4 and N_2O, and is not included here.

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10 It is estimated that emissions from Annex II Parties will be about 5 per cent and 13 per cent above 1990 levels in 2000 and 2010 respectively; and emissions from EITs will be about 24 per cent and 7 per cent below 1990 levels in 2000 and 2010, respectively.

11 The estimates given in this document with respect to land-use change and forestry are approximate and have been derived on the basis of projections or the latest inventory data reported.

12 It is estimated that emissions from Annex II Parties will be about 6 per cent and 14 per cent above 1990 levels in 2000 and 2010 respectively; and emissions from EITs will be about 31 per cent and 11 per cent below 1990 levels in 2000 and 2010 respectively.

19. Estimates reported in the second national communications differed from the values presented in the first national communications for almost all Annex I Parties. The differences arise principally from changes in assumptions regarding key variables in models and, to a lesser extent, from different rates of implementation of policies and measure to those expected, or as a result of changes in the choice of methodology.

20. Projected carbon dioxide emissions in the year 2000 have been revised downwards for most Parties; of the five Parties that emit the most CO_2,[13] only the United States has revised its projection upwards. All EITs and seven of the 24 Annex II Parties[14] now expect their gross CO_2 emissions to be at or below their 1990 levels in the year 2000. The European Community's CO_2 emissions are projected to be in a range of up to 5 per cent of 1990 levels.[15] Emissions of CO_2 from Annex I Parties as a whole are projected to be about 1 per cent below 1990 levels in the year 2000.

21. If emissions and removals from land-use change and forestry are included, six Annex II Parties[16] expect net CO_2 emissions in the year 2000 to be at or below their 1990 levels. Many of the Parties which have reported large removals by sinks in 1990 have also predicted that these will increase. Emissions of CO_2 from Annex I Parties as a whole, including emissions and removals from land-use change and forestry, are projected to be 3 per cent lower in 2000 than their 1990 levels.

22. In the medium and longer term, almost all Annex I Parties predict gross CO_2 emissions to increase beyond 2000. EITs expect rapid growth of between one fourth and one third in the period 2000 and 2010. As a result, most EITs expect to be close to, or to have exceeded, their 1990 levels in 2010. Only six Annex II Parties[17] expect a longer term downward trend. CO_2 emissions from Annex I Parties as a whole in 2010 are projected to be about 10 per cent higher than their 1990 levels. If emissions from land-use change and forestry are included, emissions of CO_2 are projected to be 8 per cent higher than 1990 levels in 2010.

23. Most Parties project lower methane emissions in 2000 than in 1990, including the three

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13 The combined 1995 CO_2 emissions for Germany, Japan, the Russian Federation, the United Kingdom and the United States of America constitute 71 per cent of Annex I Parties' emissions.

14 The combined 1995 CO_2 emissions for Denmark, France, Germany, Luxembourg, the Netherlands, Switzerland and the United Kingdom constitute less than 16 per cent of Annex I Parties' emissions.

15 The second national communication of the European Community notes that while the compilation of member States' trajectories shows a stabilization of CO_2 emissions by the year 2000, alternative trajectories show a likely increase of emissions by 3-5 per cent.

16 The CO_2 emissions for 1995 for Denmark, France, Luxembourg, the Netherlands, Switzerland and the United Kingdom constitute 9 per cent of Annex I Parties' emissions. Emissions from Denmark and the Netherlands were higher in 1995 than in 1990.

17 The CO_2 emissions for 1995 for Austria, Denmark, Germany, Italy, Luxembourg and Switzerland constitute about 11 per cent of Annex I Parties' emissions.

Parties that emit the largest amount of this gas.[18] Projections of CH_4 emissions for Annex I Parties as a whole are expected to be 14 per cent lower in the year 2000 than their 1990 levels, as a result of reduced emissions from agriculture.

24. Trends in CH_4 emissions till the year 2010 are mixed. However, the two Parties that emit the largest amount of this gas, the Russian Federation and the United States, expect their emissions to increase over this period. Projections for CH_4 emissions in 2010 for Annex I Parties as a whole are projected to be about 13 per cent lower than their 1990 levels.

25. Half of the Annex I Parties, including the five Parties that emit the largest amount of N_2O,[19] have projected their emissions in 2000 to be at or below their 1990 levels. Projections of N_2O emissions in 2000 for Annex I Parties as a whole are projected to be about 17 per cent lower than their 1990 levels.

26. Trends in N_2O emissions indicate a gradual growth after 2000 until the year 2010 in practically all Annex I Parties, including those with a large share in Annex I Party totals for this gas[20]. Projections of N_2O emissions in 2010 for Annex I Parties as a whole are projected to be about 11 per cent lower than their 1990 levels, as a result of changes in manufacturing processes.

27. Less than half of the reporting Parties provided projections for HFCs, PFCs and SF_6. Those that provided projections for HFCs for the year 2000 expect considerable growth. A mixed trend is observed in the projections for PFCs for 2000 and, of those who provided the information, the general trend for SF_6 is of increasing emissions. In most cases, in the longer term, emissions of all these gases are projected to increase and their importance relative to other gases is expected to grow.

IV. POLICIES AND MEASURES

28. Annex I Parties reported little change in policies and measures between the first and second national communications. Most measures are primarily motivated by objectives other than climate change mitigation, such as the improvement of economic efficiency, restructuring of energy sectors and the promotion of energy efficiency, the improvement of air quality, and the reduction of traffic congestion. The spectrum of policies and measures is diverse, and includes economic instruments - particularly taxes, regulations, research and development of renewable energy and information programmes. While some measures will have long term impacts, little information was provided on modification of longer term trends in anthropogenic emissions.

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18 The Russian Federation, Ukraine and the United States of America accounted for 60 per cent of Annex I Parties' CH_4 emissions in 1995.

19 France, Germany, Italy, the Russian Federation and the United States of America contributed 55 per cent of Annex I Parties' N_2O emissions for 1995.

20 EITs emissions of N_2O are 14 per cent of total emissions from Annex I Parties as a whole.

29. Parties have reported the strengthening of some measures. They have emphasized energy efficiency improvements in both energy supply and energy end-use as an objective for achieving GHG mitigation, for example by market restructuring, increased financing of existing energy efficiency programmes and the adoption tighter building codes. Parties also reported continued efforts to promote further combined heat and power and to increase the share of fuels with low carbon and non-carbon content, including renewable sources. Other examples include increases in fuel and energy taxes and improved regulation of waste management including, *inter alia,* reductions in waste volumes and gas flaring. National targets for renewable energy development, both renewable technologies and biomass, is a policy measure which has received impetus from the need to mitigate climate change. The policy aims identified as particularly important are summarized in the box below.

Policy aims identified as important or emphasized by Parties in their second national communications

- **Increased efficiency in energy production and conversion, including co-generation**
- **Fuel switching from coal and heavy fuel oil to natural gas**
- **Research, development and shift to renewable energy**
- **Preservation and increase of carbon sinks in forests**
- **Increased energy end-use efficiency, improved thermal performance of new buildings and technical improvement in lighting, appliances and equipment**
- **Reduced livestock and fertilizer use**
- **Waste recycling, incineration, and methane recovery**
- **Improved efficiency of nitric and adipic acid, and aluminium production**
- **Improved average vehicle fuel economy**

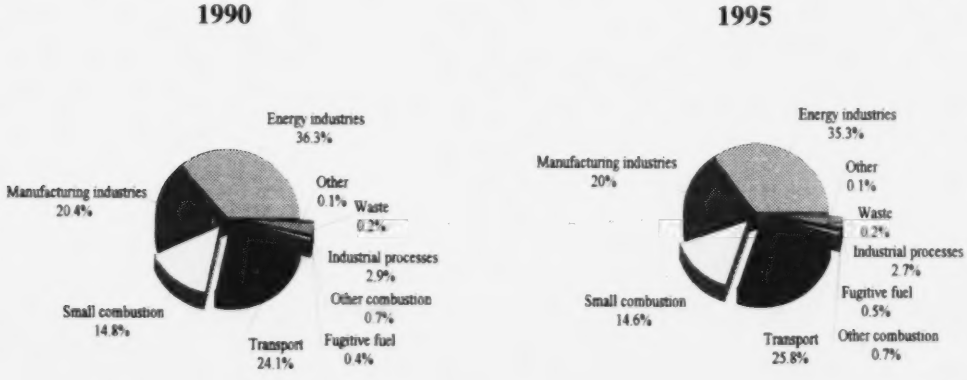
30. Energy market reform is occurring in many Annex I Parties, with variable degrees of privatization of utilities, competition in electricity production, generation and transmission - including the extent of separation of these activities into different companies, as well as privatization of gas and coal production and distribution. These changes are expected to have a large impact on carbon dioxide emissions in the year 2000 and beyond. Privatization and market liberalization can be accompanied by the removal of subsidies for fossil fuel production, raising the price of these fuels, and thus creating incentives for fuel switching. Further, companies' incentives to lower costs can lead to improvements in the efficiency of primary energy production, electricity generation and the transmission and distribution of energy. In addition, in some countries, along with market liberalization, a guaranteed market for electricity generation from renewable sources and/or combined heat and power (CHP) is being achieved through regulations, subsidies and taxation. There is evidence in second communications, including from EITs, that these reforms are indeed reducing greenhouse gas emissions. The general effect

of competition is to lower consumer prices and hence increase energy demand, although this may be offset by higher energy taxation. The overall effects of market reform in particular countries cannot be accurately predicted.

31. The promotion of energy efficiency measures is a major component of all carbon dioxide mitigation strategies. A variety of policies were used, including economic instruments in the form of energy taxation, or subsidies for energy efficiency audits and investments. Some Parties, particularly those with cold climates, have improved standards for new building insulation and energy rating for homes is becoming more commonplace. Some Parties are implementing measures to improve the insulation of existing buildings. As large firms are typically conscious of energy costs, most Parties target small firms and households with educational measures to encourage energy saving. Labelling of some domestic appliances, such as refrigerators and washing machines, with energy rating has become widespread, but thus far there is little evidenceof this having made a significant impact on consumer choice. While energy conservation lowers the real price of energy it also induces expansion in energy demand, and the overall effects are difficult to predict.

32. Although all countries tax fuels and energy to varying degrees, mainly for revenue purposes, five Parties[21] have adopted combined carbon/energy taxes, which are likely to have a greater effect in mitigating carbon dioxide emissions. However, rebates or exemptions for industry are often accorded on grounds of competitiveness. Some Parties expect to obtain significant reductions in the future through the use of these instruments.[22] New Zealand is considering the introduction of a domestic emissions trading regime (see figure 6).

Figure 6. Distribution of CO_2 emissions by source categories, 1990 and 1995



21 Denmark, Finland, the Netherlands, Norway and Sweden.

22 For example, Sweden.

33. Parties are, in general, concerned about harming the international competitiveness of their domestic industry which constrains both the type and implementation of measures adopted. For this reason, voluntary agreements feature in many of the second national communications. In some cases, the agreements appear to be truly voluntary with most industries agreeing to targets to reduce energy use per unit of output. In other countries, there are mandatory elements, such as the possibility of applying alternative measures if the voluntary measures fail. Occasionally, voluntary agreements extend to the adoption of emission reduction targets by local authorities. Parties have also set goals for reducing emissions in the public sector, often through investments in energy efficiency measures in buildings. These measures succeed in accelerating the development and deployment of less energy intensive technology, although it is difficult to assess these effects against what might have happened otherwise.

34. Owing to concerns regarding firms' competitiveness and householders' budgetary constraints, most measures appear to influence the purchase of new equipment and not to increase greatly the rate of capital stock turnover. Similarly, the standard of energy efficiency in new buildings is improving more than that in existing stock. For these reasons, there may be a considerable time lag between the implementation of measures and the effect in terms of lowering emissions. Furthermore, as many Parties' industry and commercial sectors are growing and/or the housing stock is increasing, despite improvements in efficiency, emissions from these sources continue to grow.

35. Many Parties support research and development of renewable technologies as well as providing additional support for their market penetration. Parties differ considerably in the technical potential for different types of renewable energy; biomass accounted for approximately half of non-hydro renewable energy supply.[23] Those with significant hydroelectric power often have already almost fully exploited this source. In many countries, wind power appears to have the greatest technical potential and electricity generation from this source is becoming increasingly competitive vis-à-vis conventional power generation.[24]

36. Parties have reported little success in overcoming the problem of capping rising emissions from transportation (see figure 7). Aims to improve the overall efficiency of public transport systems and increase the fuel efficiency of vehicles are being pursued, principally through taxation of fuel and vehicle purchase and circulation, regulations and/or voluntary approaches, as well as education and government sponsored R&D. However, the indications are that emissions will generally continue to rise, including for EITs. EITs aim to maintain the share of public transport by providing subsidies and tax breaks for public transport in urban areas.[25]

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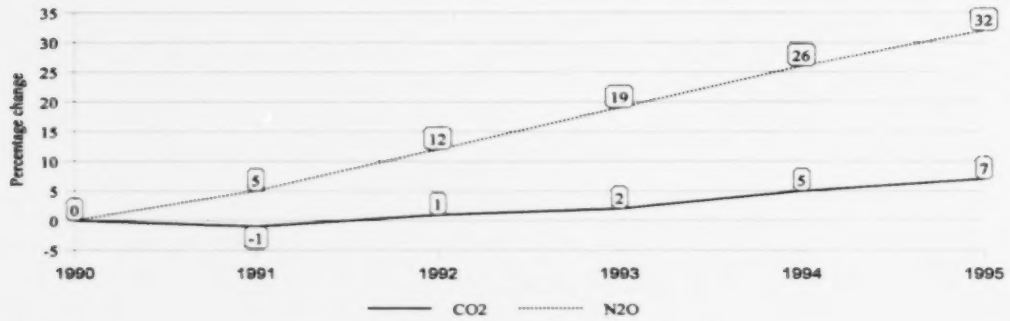
[23] Renewables accounted for about 6 per cent of the total energy supply of Annex II Parties in 1995. Solar and wind power are projected to account for 2 per cent of total energy supply of Annex II Parties in 2010.

[24] For example, Canada, Denmark, Germany, the Netherlands, Portugal, Spain, Sweden, the United Kingdom, and the United States of America.

[25] For example, the Czech Republic, Hungary, Latvia and Slovak Republic.

However, integrated packages of measures which address the complex interactions among the underlying determinants of passenger and freight transportation energy use have not been identified by Parties.

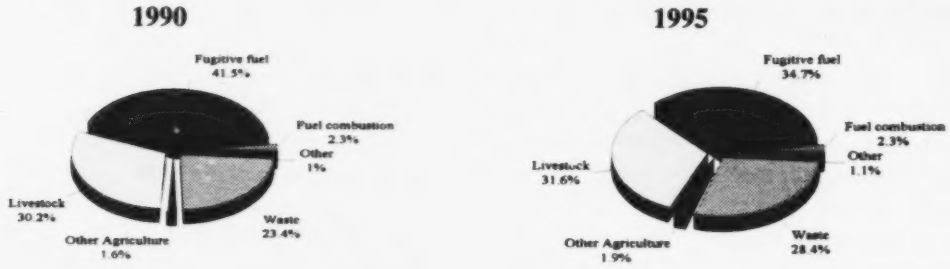
Figure 7. Trends in Annex I Parties' emissions from transport, 1990 to 1995



37. Enhancing sink capacities has emerged as an important supplement to the adoption of mitigation measures. Measures resulting in increased sequestration were undertaken generally in the context of national forestry policies and strategies. These measures include forest management practices, afforestation and reforestation. In Parties with a strong tradition in silviculture, management practices may increase sequestration even with intensive logging. Other Parties reported measures to increase sinks through afforestation and reforestation. Parties have also reported that the return of arable land to forestry and grassland within the context of reform of the of the European Union's Common Agricultural Policy (CAP), and the conversion of peatland and wetlands could also decrease emissions and/or increase removals.

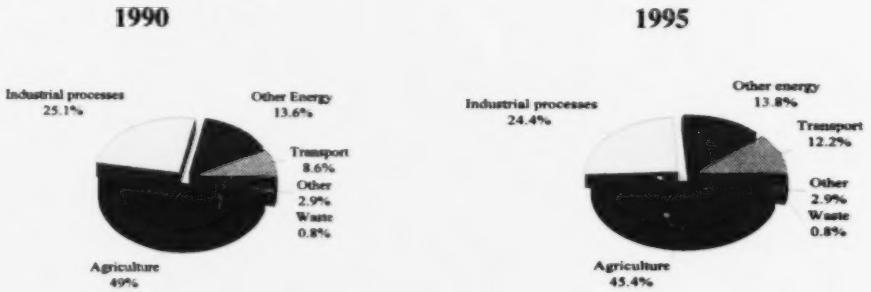
38. Reforms to the European Union's CAP and subsidy removal are expected to reduce methane emissions from agriculture by reducing livestock numbers. The removal or reduction of coal subsidies may lead to lower production, which could result in lower emissions. The replacement of old gas distribution networks with new ones will reduce leakages. But the largest methane emission reductions are expected to result from improvements to waste management activities, involving, *inter alia*, a reduction in the volume of waste disposed in landfills through recycling schemes, taxes, landfill fees and waste incineration, and the collection of gas from landfills and sewage treatment facilities for flaring or to generate electricity generation (see figure 8).

Figure 8. Distribution of CH_4 emissions by source categories, 1990 and 1995



39. Measures being implemented to reduce N_2O emissions have two principal aims: the improved efficiency of nitrogen fertilizer use and the modification of manufacturing processes for, or volumes of production of, nitric and adipic acid. Generally, these measures include voluntary agreements with industry; regulations requiring the use of best available technology which do not entail excessive costs; development of sustainable agriculture practices, such as the promotion of organic farming; subsidy reform; and implementation of European Union Directives in the agricultural sector (see figure 9).

Figure 9. Distribution of N_2O emissions by source categories, 1990 and 1995



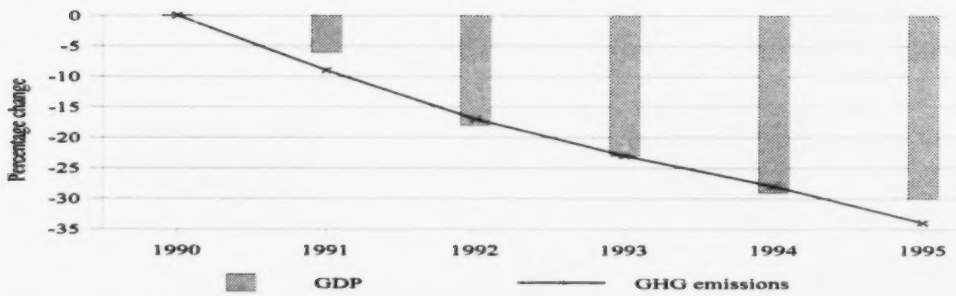
40. Emissions of HFCs, PFCs and SF_6 are currently low, but projected to grow. Few Parties have strategies, but some implement measures, such as voluntary agreements with industry, research on replacement or recovery of HFCs, and on appropriate alternative substances or technologies, and air quality laws.

41. For most European Parties, precursor gas emissions are regulated by European Union Directives, and emission levels of NMVOC and NOx emissions are subject to Protocols to the UN-ECE Convention on Long-Range Transboundary Air Pollution. These include taxes for NO_X, CO, NMVOCs and SO_2, or emissions-oriented vehicle taxes, control of emissions produced by storage and distribution of oil products. There are also national regulations and voluntary agreements to reduce emissions produced in the petrochemical and power generation

sector, and in the paper pulp, cement and steel industries, and measures to control NMVOC emissions originating from the application of solvents include regulations and limits in the use and promotion of water-based paints.

42. All EITs emphasized that the process of transition to a market economy was characterized by drastic decreases in industrial output and domestic consumption, with corresponding decreases in gross domestic product and greenhouse gas emissions. Economic recovery began in EITs between 1993 to1995, but these economies are not expected to start growing until the end of the decade. EITs report financial constraints which limit the abilities of these Parties to introduce measures to address climate change, particularly in light of other priorities. Possible synergy does exist between climate change objectives and some of these other broad policy objectives, for example, privatization, price liberalization and the establishment of capital markets. Reform during the transition has also provided the opportunity to implement new legislation, and introduce new regulations and economic instruments that have a direct or indirect impact on greenhouse gas emissions. Many EITs are seeking membership to the European Union, which has resulted in the development of strategies for convergence to European Union regulations covering, *inter alia*, a range of environmental measures; those affecting climate change are occurring mainly in the energy and transport sectors (see figure 10).

Figure 10. Trends in GDP and GHG emissions in Parties with economies in transition, from 1990 to 1995



Note: Includes data from Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Poland, the Russian Federation and Slovakia. GDP data is from "World Development Indicators 1997", World Bank.

43. The expected completion of new nuclear power projects will affect future emission trends in a few EIT Parties,[26] as will decisions on whether to decommission the plants that are nearing the end of their lifetimes or instead extend their lifetimes with technical adjustments. The identification of packages of measures in EITs to promote public transport, and encourage turn-over of vehicle fleets is not thought to be sufficient to curb expected high future rates of

[26] For example, Bulgaria, the Czech Republic, the Russian Federation, the Slovak Republic, and Ukraine.

growth in emissions from the transport sector. The policy of energy price liberalization and subsidy removal in EITs has gradually resulted in higher energy prices, creating incentives for energy saving and fuel switching to less costly options, such as natural gas. Substantial removal of subsidies, however, is not expected to occur before the year 2000. Large potential gains are believed to exist through energy efficiency improvements, and such projects have been identified by these Parties. The communications did not, however, provide an indication of the extent to which such reductions in emissions have already been achieved although that could be significant.

V. PROVISION OF FINANCIAL RESOURCES AND TRANSFER OF TECHNOLOGY

44. More information on the transfer of financial resources and technology was reported in the second national communications than in the first submissions, although the degree of detail of the information and the format of reporting still varied widely. Some Parties provided relatively detailed information on activities related to the provision of financial resources and transfer of technology, though they did not follow the tabular format requested by the Guidelines. As a result, it is difficult to identify trends in the flow of financial resources and the transfer of technology.

45. The information provided centred on financial contributions to multilateral institutions and for bilateral and regional cooperation. Although required by the Guidelines, little information was provided on private sector activities and projects related to transfer of technology, distinctions between hard and soft technology were not made, and only a few Parties explained how they had determined which resources were new and additional.

46. Based on the limited data provided, most financial resources appear to be obtained through multilateral institutions, and mainly through the interim operating entity of the financial mechanism. The regions receiving the largest share of bilateral financial resources are Asia and the Pacific and Africa. The energy and forestry sectors are the two main areas in which bilateral assistance is provided, both to developing countries and to economies in transition. In the energy sector, bilateral assistance is targeted principally at the improvement of energy efficiency, planning and management, market reform, and the use of renewable energy sources. Assistance is also being provided for the preparation of initial national communications from Parties not included in Annex I.

47. Bilateral projects and programmes are reported that will help countries to adapt to climate change, through the improvement of coastal zone management, the preservation of ecosystems on the edge of deserts, improvement of water management in dry areas, and development of meteorological stations and famine early warning systems.

48. Only a few Parties provided information separately on transfer of technology. The limited information provided suggests that the energy sector has received greatest emphasis,

followed by the forestry and agriculture sectors. The mechanisms adopted include exchange of information, and financial and technical assistance.

VI. OTHER COMMITMENTS

49. Efforts to promote and cooperate in research and systematic observation related to climate change, both at the national and international levels, are well-documented in second national communications. Since the first national communications, several Parties have begun to include in their programmes research into the socio-economic impacts of climate change. Little evidence was provided, however, of cooperation to improve the endogenous capacities and capabilities of developing countries to participate in international programmes and networks, or to strengthen their national scientific and technical research capabilities

50. Activities related to the expected impacts of climate change and vulnerability assessment are largely restricted to research, generally using scenario analysis to assess possible impacts and vulnerabilities. While some Parties reported positive impacts in agriculture (for example, Denmark), overall the impact of climate change is expected to be mixed, and largely negative in coastal and mountain areas. With a few exceptions - including the development of coastal defence mechanisms and programmes on water management and erosion control - Parties have not reported on the implementation of adaptation measures. Research on possible adaptation programmes, however, is expanding and Parties are considering new areas for action including urban management, additional programmes in coastal zone management and in mountain regions, and the preservation of endangered genetic material.

51. Parties have stressed the role played by education, training and public awareness in their response strategies. Schemes range from public awareness campaigns on energy saving aimed at the general public to more specific programmes which target a select group. A wide variety of media is used. Elements on climate change have been included in curricula, at the primary school, secondary school and university levels. Training programmes, for example those designed to encourage practice that results in limiting greenhouse gas emissions among specialized audiences, such as engineers and architects, have been reported less frequently. There is little mention of efforts to cooperate, at the international level, on the development and exchange of educational and public awareness materials, or on the implementation of programmes.

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REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER PROVISIONS OF THE CONVENTION

FINANCIAL MECHANISM

Report of the Global Environment Facility to the Conference of the Parties at its fourth session

Note by the secretariat

1. The Conference of the Parties (COP), at its second session, by its decision 12/CP.2,[1] adopted and thereby brought into force a Memorandum of Understanding (MOU) between the COP and the Council of the Global Environment Facility (GEF) (FCCC/CP/1995/7/Add.1). The MOU provides, *inter alia*, that annual reports of the GEF are to be made available to the COP through the secretariat. The attached report has been submitted by the GEF secretariat in response to that provision.* The MOU further provides that, in accordance with Article 11.1 of the Convention, the COP will, after each of its sessions, communicate to the GEF any policy guidance approved by the COP concerning the financial mechanism.

2. In accordance with the guidelines for the review of the financial mechanism, the annual report of the GEF to the COP is to be considered in the ongoing review process of the financial mechanism as referred to in decisions 9/CP.1 and 11/CP.3 (FCCC/SBI/1997/6).

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[1] For the full texts of decisions adopted by the Conference of the Parties at its first, second and third sessions, see documents FCCC/CP/1995/7/Add.1, FCCC/CP/1996/15/Add.1 and FCCC/CP/1997/7/Add.1, respectively.

* The report is reproduced as submitted, and without formal editing.

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Global Environment Facility

August 26, 1998

[ORIGINAL: ENGLISH, FRENCH AND SPANISH]

Annex

REPORT OF THE GEF TO THE FOURTH SESSION OF THE CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

In order to make this document available through the electronic system of the UNFCCC secretariat, the attached text has been reformatted in Word Perfect 8. Every effort has been made to ensure conformity with the original text, as submitted.

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I. INTRODUCTION

1. The *Memorandum of Understanding between the Conference of the Parties to the United Nations Framework Convention on Climate Change and the Council of the Global Environment Facility* provides that the GEF will report to the Conference of the Parties on all GEF-financed activities carried out in implementing the Convention. In particular, paragraph 7 provides:

> In its reporting on GEF-financed activities under the financial mechanism, the GEF should include specific information on how it has applied the guidance and decisions of the COP in its work related to the Convention. This report should be of a substantive nature and incorporate the program of GEF activities in the areas covered by the Convention and an analysis of how the GEF, in its operations related to the Convention, has implemented the policies, program priorities, and eligibility criteria established by the COP. In particular, a synthesis of the different projects under implementation and a listing of the projects approved by the Council in the climate change focal area as well as a financial report with an indication of the financial resources required for those projects should be included. The Council should also report on its monitoring and evaluation activities concerning projects in the climate change focal area.

2. This report has been prepared for the fourth session of the Conference of the Parties to the UN Framework Convention on Climate Change. It covers the period from June 1, 1997 to June 30, 1998. This report describes GEF activities approved by the GEF Council during the reporting period in the area covered by the Convention and provides specific information on how the GEF has applied the guidance and decisions of the Conference of the Parties. A listing of reports previously provided by the GEF Council to the Conference of the Parties is included in Annex A.

II. HIGHLIGHTS OF GEF DECISIONS AND IMPORTANT EVENTS

A. GEF Council Meetings

3. The Council met twice during the reporting period: November 4 to 6, 1997, in Washington, D.C., and March 30 and 31, 1998, in New Delhi. During the reporting period, the Council approved five work programs[1], which include US$160 million of GEF funding for climate change activities.

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[1] In addition to the two work programs approved at the GEF Council meetings, three work programs were approved by the GEF Council through mail decisions in July and December 1997 and June 1998.

B. Second Replenishment of the GEF Trust Fund

4. On February 7, 1997, the GEF Council requested the World Bank, as the Trustee of the GEF Trust Fund, in cooperation with the CEO/Chairman of the GEF, to initiate the second replenishment of the GEF Trust Fund. On March 24, 1998, a US$2.75 billion replenishment of the GEF Trust Fund was successfully concluded. In conjunction with the replenishment, the Council also endorsed policy recommendations at its March 30-31, 1998 meeting[2].

C. First GEF Assembly

5. The first GEF Assembly was held in New Delhi from April 1 to 3, 1998. Approximately one thousand participants attended the Assembly, representing 119 of the GEF's participating governments, including one head of State and 40 ministers. Representatives of 16 international organizations and 185 non-governmental organizations also were among the participants. The Assembly provided an important opportunity for all GEF Participants to review the general policies of the Facility, and to review and evaluate the operation of the Facility. The Assembly had before it a number of reports on GEF's operations and policies, including the *Study of GEF's Overall Performance* (see section below on Monitoring and Evaluation).

6. The Assembly adopted *The New Delhi Statement of the First GEF Assembly* which is attached as Annex B. The statement affirms the significant role of the GEF in supporting the objectives of agreed global environmental conventions and protocols, such as the UN Framework Convention on Climate Change and the Kyoto Protocol.

D. Other Relevant GEF Activities

7. During the reporting period, the GEF has also undertaken the following activities in the area of climate change:

(a) Two new operational programs are being developed in the climate change area: one on transport and one on carbon sequestration. The operational program on transport is currently under preparation, and the Council will consider at its meeting in October 1998 draft elements for such a program. The operational program on carbon sequestration is in a very preliminary stage of preparation, and will take fully into account the work of the Convention on this issue.

(b) The GEF Scientific and Technical Advisory Panel (STAP) organized a one day brainstorming meeting on carbon sequestration in June 1998. The purpose of the meeting was to explore key issues relating to carbon sequestration, including the growing of biomass in which carbon is stored and the decarbonization of fossil fuels and the storage of the separated CO2. Another workshop on technology transfer and innovations in developing countries was held in January 1998. The discussion was focused on capacity building, private sector and research and development.

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[2] Report on the Second Replenishment of the GEF Trust Fund (GEF/C.11/6, Annex A), GEF Council Meeting, March 30-31, 1998.

(c) In accordance with the decision[3] of the Council, the GEF secretariat, in consultation with the Implementing Agencies and the secretariats of the Biodiversity and Climate Change Conventions, is undertaking work with a view to making the process of determining incremental costs more transparent and its application more pragmatic.

III. IMPLEMENTATION OF CONVENTION GUIDANCE

8. Guidance to the financial mechanism concerning policies, program priorities and eligibility criteria is contained in:

(a) Decision 11/CP.1 (FCCC/CP.1995/7/Add.1) *Initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism;*

(b) Decision 12/CP.1 (FCCC/CP/1995/7/Add.1) *Report of the Global Environment Facility to the Conference of the Parties on the development of an operational strategy and on initial activities in the area of climate change*; and

(c) Decision 11/CP.2 (FCCC/CP/1996/15/Add.1) *Guidance to the Global Environment Facility.*

9. *Preparation of national communications of non-Annex I Parties.* The GEF has reported in its previous reports to the Conference of the Parties (See Annex A) on steps it has taken to implement the guidance contained in Decision 11/CP.2 through its financing for enabling activities. During the reporting period, the CEO/Chairman approved national enabling activity projects covering 38 countries (see Table 4). To date, financing for enabling activities in 113 countries has been approved (see Annex C, FCCC/CP/1998/12/Add.1). All these projects have been developed with the full collaboration of the recipient country Parties, and all address to some extent the need to prepare national communications. In addition to Jordan and Argentina, which submitted their national communications during the previous reporting period, six more non-Annex I countries (Mexico, the Federated States of Micronesia, the Republic of Korea, Senegal, Uruguay and Zimbabwe) have submitted their initial national communications during this reporting period. Five of them were assisted through GEF enabling activities.

10. During the reporting period the Council approved a global project entitled, *National Communication Support Programme*. The activities of the project aim to improve the quality, comprehensiveness, and timeliness of the initial communications from non-Annex I Parties in accordance with the Convention guidance through: (i) the operation of a desk for climate change enabling activities, (ii) provision of additional technical assistance, and (iii) organization of a number of thematic and regional workshops. This project is expected to significantly enhance the capacity of non-Annex I Parties to prepare their initial national communications.

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[3] Joint Summary of the Chairs, GEF Council Meeting, November 4-6,1997, Decision on Agenda Item 13, *Other Business*.

11. Recently, the GEF secretariat requested the Implementing Agencies to ensure that GEF-funded enabling activities meet the cost of translation of the communication into an official language of the United Nations. The Implementing Agencies were also encouraged to meet the costs of translation of the national communication into English where that is not the UN language chosen by the Party concerned[4].

12. *Implementation of guidance in GEF operations in the climate change area.* The guidance provided by the Conference of the Parties at its first session to the GEF,

> "to adopt a mixed strategy wherein projects will be selected with a double set of program priorities as described in paragraph 9(c) of the (GEF) report, that is, if they meet either one of the long-term program priorities or one of the short-term program priorities." [5]

provided clear direction for the GEF as it developed its Operational Strategy. The GEF has financed climate change projects under both cost-effective and short-term response measures and under three Operational Programs[6] that address the long-term priorities of the Convention. As noted in paragraph 7, operational programs concerning transport and carbon sequestration are being developed. The short-term response measures are also an opportunity to develop projects with objectives that might serve as the basis for future long-term operational programs, consistent with the guidance of the Conference of the Parties.

13. The policies and program priorities identified in Decision 11/CP.1 are fully reflected in the GEF Operational Strategy and the three Operational Programs, and have been consistently followed in developing project activities.

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[4] Decision 10/CP.2 provides: "The communication may be submitted in one of the official languages of the United Nations. Non-Annex I Parties are also encouraged to submit, to the extent possible and where relevant, a translation of their communications into English".

[5] See FCCC/CP/1995/7/Add.1, decision 12/CP.1.

[6] Operational Programs in the area of climate change are: removing barriers to energy conservation and energy efficiency; promoting the adoption of renewable energy by removing barriers and reducing implementation costs; and, reducing the long-term costs of low greenhouse gas-emitting energy technologies.

IV. GEF MONITORING AND EVALUATION ACTIVITIES

14. In the reporting period, the GEF published three monitoring and evaluation reports: *Project Implementation Review 1997, Study of GEF's Overall Performance* and *Study of the GEF Project Lessons*. Copies of these documents are available to the fourth session of the Conference of the Parties. In 1999, the GEF monitoring and evaluation program will undertake an evaluation of enabling activities in the climate change area.

A. Project Implementation Review 1997

15. The 1997 project implementation review (PIR) covered 105 projects that had been under implementation for at least a year. A third of these projects addressed climate change. The Implementing Agencies rated 34 percent of the reviewed projects as "highly satisfactory" with regard to implementation progress or prospects for achieving global environmental objectives. 16 percent were rated "unsatisfactory" on at least one measure, slightly more than last year.[7]

16. The PIR reviews portfolio highlights and insights gained during the year in each focal area and other cross-cutting issues. In the area of climate change, a key insight resulting from this year's review is that the success of demand side management activities is strongly linked to effective public awareness and information campaigns. One of the main conclusions of the review was that the policy framework and enabling environment are extremely important for the successful adoption and replication of alternative energy and more energy-efficient products and technologies. [8]

17. Other conclusions of the review highlighted that:

(a) stakeholder involvement in projects is important to project success;

(b) strong commitment by recipient countries and organizations is a major determinant of project implementation success;

(c) projects that respond to national or local interests in addition to seeking global environmental benefits are much more likely to gain recipient country ownership and commitment; and

(d) one effective way of involving the private sector as partners in projects is through the provision of opportunities for direct interaction with government agencies on issues that affect them.[9]

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[7] Global Environment Facility, *Project Implementation Review, 1997*, (Washington, D.C.: March 1998, p.7-8).

[8] ibid., p. 12-13

[9] ibid., p. 17-23

18. The PIR lists several actions agreed upon at the time of the interagency PIR meeting.[10] For example, additional program guidance will be made available through publication of project specific case studies (see paragraph 21) and the focal area portfolio will be reviewed by GEF task force as input to the next PIR. The lessons of the PIR are also being internalized and addressed in other ways. As the 1997 PIR notes, the PIR process is becoming increasingly integrated with Implementing Agencies' internal procedures, and is also serving as the basis for broader portfolio management approaches. Project managers have been asked to consider issues raised in the PRI in the formulation of new projects. Several points made in the PIR are also being addressed in policy papers requested by the Council, including strategies for engaging the private sector and improving country level coordination.

B. Study of GEF's Overall Performance

19. This study was prepared to assist the Assembly in its review of the GEF. The study addresses a large number of issues related to the GEF's performance from 1994 through 1997. The study concludes that the GEF has generally performed effectively with regard to rapidly creating new institutional arrangements and approaches to programming its resources in the four focal areas. The GEF has also been relatively successful in leveraging cofinancing for GEF projects and has had some positive impacts on policies and programs in recipient countries. The study found that the GEF has strictly implemented the guidance of the conventions, with due regard for the GEF's own mandate and funding limitations and in a reasonably timely fashion. The study also notes that more needs to be done in several areas, including strengthening the focal point system, improving the process of calculating incremental costs, better planning for the financial sustainability of projects, shortening the project cycle, and raising awareness of the GEF and of global environmental issues. More information can be found on climate change projects in the Study of GEF's Overall Performance (page 35) and on climate change enabling activities (page 56).

20. The Council has requested the GEF secretariat, in consultation with the Implementing Agencies, to prepare for Council review and approval at its meeting in October 1998, an action plan for responding to the recommendations of the study.

C. Study of GEF Project Lessons and GEF Lessons Notes

21. *Study of GEF Project Lessons* synthesizes lessons learned to date from projects financed during the GEF's Pilot Phase. The study team analyzed 30 projects. Three lessons were identified by project managers and staff as important for project success:

(a) careful integration of project interventions with national policies and priorities is needed;

(b) considerable time and effort must be devoted to building partnerships; and

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[10] ibid., p.28

(c) innovative approaches are needed to ensure effective private sector involvement in a project's development and implementation.[11]

22. The GEF secretariat began publishing *GEF Lessons Notes* in March 1998. These notes are a means of disseminating lessons emerging from the implementation of GEF projects. *GEF Lessons Notes* are available on the GEF website (www.gefweb.org) and through the GEF secretariat.

V. PROJECT ACTIVITIES IN THE CLIMATE CHANGE AREA

23. In the reporting period, the following GEF financing was allocated for project activities in the climate change area:

Table 1: Project Financing in the Area of Climate Change June 1997 - June 1998

Type of activity	Number of activities	GEF financing (in US$ millions)	Co-financing (in US$ millions)
Project preparation	9	2.20	0.42
Enabling Activities	38	9.32	-
Investment/Technical Assistance Projects	17	147.82	1,023.81
Total	**64**	**159.34**	**1,024.23**

24. As indicated in the table, total project financing for climate change activities during the reporting period exceeded US$1.1 billion, of which GEF provided approximately $160 million in grant financing. Over US$1 billion was leveraged in co-financing for the project activities.

[11] *Study of GEF Project Lessons* (pages 1-2).

25. The table below shows project financing in the area of Climate Change for the years 1996 and 1997:

Table 2: Project Financing in the area of Climate Change for the years 1996 and 1997

Year	Type of Activities	Number of Activities	GEF Financing (in US$ million)	Co-financing (in US$ million)	Total (in US$ million)
1996	Project Preparation	3	1.30	1.10	2.39
	Enabling Activities	7	5.43	0.00	5.43
	Investment/technical assistance projects	15	174.79	868.44	1043.22
	TOTAL	**25**	**181.52**	**869.54**	**1051.04**
1997	Project Preparation	5	1.28	0.16	1.43
	Enabling Activities	32	8.51	0.00	8.51
	Investment/technical assistance projects	14	137.21	428.58	565.79
	TOTAL	**51**	**147.00**	**428.74**	**575.73**

26. Since the establishment of the pilot phase of the GEF, a total of US$ 5.2 billion has been allocated to climate change activities. Of this sum, US$776 million was provided in grants from the GEF Trust Fund. An additional US$4.4 billion was contributed through co-financing. A complete listing of GEF project activities in the climate change area is set forth in Annex C (see FCCC/CP/1998/12/Add.1).

27. Often, as a first step in project development, the GEF provides financing through its Project Preparation and Development Facility to assist recipient countries to develop a project concept into a project proposal. Table 2 shows GEF project preparation activities approved during the reporting period.

Table 3: Project Preparation
(June 1997 - June 1998)

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	COFINANCING (IN US$ MILLIONS)
Brazil	Reducing the Long-term Costs of Solar Thermal Power Generation	0.33	
Ecuador	Removal of Barriers to Renewable Energy in Ecuador, Renewable Electrification of the Galapagos	0.28	
Malawi	National Sustainable and Renewable Energy Programme	0.07	0.03
Pakistan	Commercialization of Wind Power Production in Pakistan	0.35	
Panama	Removing Barriers to Wind Energy Development in Panama	0.34	
Russian Federation	Reduction of Coalbed Methane Emissions in the Kuznetsk Coal Basin	0.20	
Slovenia	Removing Barriers to Increasing the Use of Biomass as an Energy Source in Slovenia	0.10	0.04
South Africa	Catalyzing an Energy-efficient Lighting Market	0.23	
Vietnam	Geothermal Power Plant	0.30	0.35
Total		**2.20**	**0.42**

28. The following enabling activities covering 38 non-Annex I countries have been approved by the CEO/Chairman of the GEF during the period from June 1997 to June 1998 using expedited procedures:

Table 4: Enabling Activities (June 1997 - June 1998)

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)
Algeria	Enabling Algeria to prepare its First National Communication	0.20
Antigua and Barbuda	Enabling Antigua and Barbuda to prepare its First National Communication	0.16
Azerbaijan	Enabling Azerbaijan to prepare its First National Communication	0.33
Bahamas, The	Enabling The Bahamas to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.19
Bahrain	Enabling Activities for the preparation of initial national communication to the UNFCCC	0.34
Barbados	Enabling Activities for the preparation of initial national communication to the UNFCCC	0.19
Belize	Enabling Belize to prepare its First National Communication to the UNFCCC	0.19
Cameroon	Enabling Activity for the preparation of First National Communication	0.27
Central African Republic	Enabling Activity for the Preparation of the Initial National Communication Related to the UN Framework Convention on Climate Change	0.35
Côte d'Ivoire	Enabling Activities for the Preparation of Initial National Communication Related to UN Framework Convention on Climate Change.	0.33
Croatia	Enabling Croatia to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.35
Dominica	Enabling The Commonwealth of Dominica to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.17
Ghana	Preparation of Initial National Communication for the Implementation of the UN Framework Convention on Climate Change	0.10
Guyana	Enabling Guyana to Prepare its First National	0.20

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)
	Communication in Response to Its Commitments to the UNFCCC	
Haiti	Enabling Activities for the Preparation of Initial National Communication Related to the UNFCCC	0.35
Indonesia	Indonesia Enabling Activity to Prepare its First National Communication of Indonesia to the UNFCCC	0.23
Jamaica	Enabling Jamaica to Prepare its Initial National Communication in response to its Commitments to the UNFCCC	0.23
Mali	Preparation of the First National Communication in response to the Provisions of the UNFCCC	0.10
Mauritania	Enabling Activity for the Preparation of the Initial National Communication Related to the UN Framework Convention on Climate Change	0.35
Mauritius	Enabling Activities for the Preparation of Initial National Communication related to UN Framework Convention on Climate Change (UNFCCC)	0.14
Moldova	Enabling Moldova to Prepare its First National Communication in Response in its Commitments to the UNFCCC	0.33
Mozambique	Enabling Mozambique to prepare its First National Communication to the UNFCCC	0.22
Nepal	Enabling Activities for the Preparation of Initial National Communication related to the United Nations Framework Convention on Climate Change (UNFCCC)	0.31
Nicaragua	Enabling Nicaragua to Prepare its Initial National Communication in Response to its Commitments to the UNFCCC	0.30
Niger	Enabling Niger to Prepare its Initial National Communication to the UNFCCC	0.35
Niue	Enabling Activities for the Preparation of Initial National Communication related to the United Nations Framework Convention on Climate Change (UNFCCC)	0.30
Panama	Enabling Panama to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.30

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)
Peru	Enabling Peru to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.20
Philippines	Enabling the Philippines to Prepare a National Communication Program in Response to its Commitments to the United Nations Framework Convention on Climate Change (UNFCCC)	0.16
Senegal	Preparation of the First National Communication in response to the provisions of the UNFCCC	0.07
Slovenia	Enabling Slovenia to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.35
South Africa	Enabling Activities for the Preparation of Initial National Communication Related to UN Framework Convention on Climate Change	0.32
St. Kitts and Nevis	Enabling St. Kitts and Nevis to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.16
St. Lucia	Enabling Saint Lucia to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.17
St. Vincent and Grenadines	Enabling St. Vincent and the Grenadines to Prepare its First National Communications in Response to its Commitments to the UNFCCC	0.35
Tanzania	Enabling Activities for the Preparation of Initial National Communication Related to UN Framework Convention on Climate Change (UNFCCC)	0.25
Thailand	Enabling Thailand to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.19
Trinidad and Tobago	Enabling Trinidad and Tobago to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.22
Total		**9.32**

29. The table below lists the climate change investment and technical assistance projects approved by the GEF Council during the reporting period. The list includes three projects to be implemented in collaboration with Annex I countries (Czech Republic, Hungary, Latvia and Ukraine).

Table 5: Investment/Technical Assistance Projects (June 1997-June 1998)

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Global	National Communications Support Programme	2.16	1.10
Multi-Country (Argentina, Czech Republic, Hungary, Latvia, Peru, Philippines, South Africa)	Efficient Lighting Initiative	15.20	35.00
Argentina	Renewable Energy Based Rural Markets Project	13.52	212.20
Brazil	Energy Efficiency Project	20.00	180.00
Cape Verde	Energy and Water Sector Reform and Development	4.93	55.07
China	Barrier Removal for the Widespread Commercialization of Energy-Efficient CFC-Free Refrigerators in China	9.86	31.28
China	Renewable Energy Development	35.73	372.27
Hungary	Renewable Energy and Regional Development Project	5.80	54.20
India	Coal Bed Methane Recovery and Commercial Utilization	9.12	9.83
India	Energy Efficiency	5.00	32.00
Kenya	Removal of Barriers to Energy Conservation and Energy Efficiency in Small and Medium Scale Enterprises	3.19	5.45
Lao People's Democratic Republic	Off-Grid Electrification Pilot Demonstration, a component of the Laos Southern Provinces Rural Electrification	0.74	1.37
Malaysia	Industrial Energy Efficiency Improvement	7.30	12.62

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Peru	Photovoltaic-Based Rural Electrification in Peru	3.96	5.22
Tunisia	Experimental Validation of Building Codes and Removal of Barriers to their Adoption	4.36	3.77
Tunisia	Barrier Removal to Encourage and Secure Market Transformation and Labeling or Refrigerators	0.75	1.23
Ukraine	Coalbed Methane Recovery	6.20	11.20
Total		**147.82**	**1023.81**

VI. SUMMARY

30. During the present reporting period, the GEF concluded a replenishment of US$2.75 billion of the GEF Trust Fund. 64 new project activities were approved, including 38 new national enabling activity projects. The first Assembly of the GEF was convened, and a number of evaluation reports were prepared for the Assembly's consideration. The Assembly affirmed the significant role of the GEF in supporting the objectives of global environmental conventions and protocols.

31. With its new replenishment and consistent with the *New Delhi Statement of the First GEF Assembly*, the GEF will continue to develop activities in the climate change area consistent with the guidance of the Convention. In so doing, it will apply lessons learned to date from its on-going activities with a view to further improving its effectiveness and performance in implementing the Convention's guidance.

Annex A

LIST OF REPORTS PREVIOUSLY SUBMITTED BY THE GEF COUNCIL TO THE CONFERENCE OF THE PARTIES TO THE UNFCCC

Report of the Global Environment Facility to the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the Restructured Global Environment Facility (A/AC.237/89, December 14, 1994)

Report of the Global Environment Facility to the Conference of the Parties on the Development of an operational strategy and on initial activities in the field of climate change (FCCC/CP/1995/4, March 10, 1995)

Report of the Global Environment Facility to the Second Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1996/8, June 27, 1996)

Report of the Global Environment Facility to the Third Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1997/3, October 31, 1997)

Annex B

THE NEW DELHI STATEMENT OF THE FIRST GEF ASSEMBLY
April 3, 1998

The Assembly of the Global Environment Facility,

Having met for the first time in New Delhi from April 1-3, 1998,

Expressing its utmost appreciation to the Government and people of India for hosting the Assembly and for their generosity, hospitality and the excellent arrangements made available to all Participants,

Taking note of the views expressed by Representatives of GEF Participant states at this Assembly,

Recognizing that the GEF is the multilateral funding mechanism dedicated to promoting global environmental protection within a framework of sustainable development by providing new and additional grant and concessional funding.

Recognizing also that its beneficiaries are all people of the globe, and that the need for the GEF is even greater as we enter the new millennium given the state of the global environment and of underdevelopment,

Stressing that the GEF is a unique and successful example of international cooperation that offers lessons for other endeavors,

Affirming the significant role of the GEF in supporting the objectives of agreed global environmental conventions and protocols, such as the Convention on Biological Diversity, the UN Framework Convention on Climate Change and the Kyoto Protocol, the Vienna Convention and the Montreal Protocol on Substances that Deplete the Ozone Layer, and the UN Convention to Combat Desertification.

Acknowledging the significant progress that has been made by the GEF, its Implementing Agencies (UNDP, UNEP and the World Bank), and the Secretariat, in the four years since its restructuring in its organization and management, in establishing its institutional and operational framework, and in supporting developing countries and countries with economies in transition in their efforts for global environmental improvements and in implementing the Rio conventions,

Acknowledging further the excellent work of the Scientific and Technical Advisory Panel (STAP) in providing strategic advice and in reviewing projects,

Welcoming the Second Replenishment of the GEF Trust Fund of $2.75 billion which will enable the GEF to continue its successful efforts to promote global environmental goals and sustainable development,

Taking note of Council's decisions and drawing, as appropriate, upon analyses and recommendations from the *Study of GEF's Overall Performance*, the *Study of GEF Project Lessons*, the *GEF Project Implementation Review*, and the *CEO's Report on the Policies, Operations and Future Development of the GEF*,

Agrees that for the GEF to meet its deepening potential and fulfill its multiple missions:

1. GEF should remain a facility at the cutting edge, innovative, flexible and responsive to the needs of its recipient countries, as well as a catalyst for other institutions and efforts.

2. GEF activities should be country-driven and efforts should be strengthened to achieve country ownership of GEF projects. To achieve this,

(a) GEF activities should be based on national priorities designed to support sustainable development and the global environment,

(b) GEF should develop and implement a strategy for greater outreach and communication which targets GEF's multiple constituencies, with a view to enhancing global awareness of the global environment and the GEF, and should increase consultations with non-governmental organizations (NGOs) and local communities concerning GEF activities,

(c) GEF should develop and implement an action plan to strengthen country-level coordination and to promote genuine country ownership of GEF-financed activities, including the active involvement of local and regional experts and community groups in project design and implementation.

3. GEF should increase efforts towards ensuring the sustainability of the global environment benefits generated by GEF-financing and should act as a catalyst to bring about longer-term coordinated efforts with other funders for capacity building and training.

4. GEF should streamline its project cycle with a view to making project preparation simpler, transparent and more nationally-driven.

5. GEF should undertake longer-term planning and multi-year support programs with a view to maximizing global environmental benefits.

6. While recognizing the importance of the principle of incremental costs for the GEF, its definition should be made more understandable. GEF should make the process of determining incremental costs more transparent and its application more pragmatic.

7. GEF should be a learning entity and should strengthen its monitoring and evaluation functions and increase efforts to disseminate lessons learned from its experience in implementing its portfolio of projects and to stimulate the transfer and adoption of new technologies by recipient countries.

8. In consultation with the Secretariat of the UN Convention to Combat Desertification, GEF should seek to better define the linkages between land degradation, particularly desertification and deforestation, and its focal areas and to increase GEF support for land degradation activities as they relate to the GEF focal areas.

9. GEF Implementing Agencies should promote measures to achieve global environmental benefits within the context of their regular programs and consistent with the global environmental conventions while respecting the authority of the governing bodies of the Implementing Agencies.

10. GEF should build strong relationships and networks with the global scientific community, especially with national scientists and scientific institutions in recipient countries.

11. GEF should promote greater coordination and co-financing of its activities from other sources, including bilateral funding organizations, and should expand opportunities for execution of activities by those entities referred to in paragraph 28 of the Instrument, in particular the Regional Development Banks and non-governmental organizations (NGOs).

12. GEF should strive to mobilize additional resources from both public and private sources. The GEF, as a platform for technological change, should also explore new opportunities for private sector partnerships as well as private-public joint ventures.

UNITED NATIONS

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Buenos Aires, 2-13 November 1998
Item 4 (g) of the provisional agenda

REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER PROVISIONS OF THE CONVENTION

REVIEW OF INFORMATION AND POSSIBLE DECISIONS UNDER ARTICLE 4.2(f) OF THE CONVENTION

Note by the secretariat

1. Article 4, paragraph 2 (f), of the Convention states that the Conference of the Parties (COP) shall "review, not later than 31 December 1998, available information with a view to taking decisions regarding such amendments to the lists in Annexes I and II as may be appropriate, with the approval of the Party concerned". At its third session, the COP adopted amendments to the list in Annex I to the Convention (decision 4/CP.3). In accordance with Article 15, paragraph 3, the adopted amendments to the list in Annex I to the Convention were communicated to the Depositary by the secretariat on 30 January 1998 and circulated by the Depositary to all Parties for their acceptance (see document C.N. 544.1997. Treaties-6 (Depositary Notification) of 13 February 1998).

2. In accordance with Article 16, paragraph 3, of the Convention, "an annex that has been adopted in accordance with [Article 16, paragraph 2] shall enter into force for all Parties to the Convention six months after the date of the communication by the Depositary to such Parties of the adoption of the annex, except for those Parties that have notified the Depositary, in writing, within that period of their non-acceptance of the annex. The annex shall enter into force for Parties which withdraw their notification of non-acceptance on the ninetieth day after the date on which withdrawal of such notification has been received by the Depositary." Article 16, paragraph 4, also provides that "the proposal, adoption and entry into force of amendments to annexes to the Convention shall be subject to the same procedure as that for the proposal,

adoption and entry into force of annexes to the Convention in accordance with paragraphs 2 and 3 above [of Article 16]." On the expiry of the period of six months from the date of the above-mentioned depositary notification, the Depositary issued another notification, C.N.377.1998. Treaties-5 (Depositary Notification), to inform all Parties that in accordance with Article 16, paragraph 3, of the Convention, the Amendments entered into force on 13 August 1998. No notification of non-acceptance was received by the Depositary.

3. No additional request for inclusion in Annex I or Annex II to the Convention has been received from any Party.

4. For the convenience of Parties, the list in Annex I as amended is given in the annex to the present note.

Annex

AMENDED ANNEX I

Australia
Austria
Belarus [a]
Belgium
Bulgaria [a]
Canada
Croatia [a]
Czech Republic [a]
Denmark
European Community
Estonia [a]
Finland
France
Germany
Greece
Hungary [a]
Iceland
Ireland
Italy
Japan
Latvia [a]
Liechtenstein
Lithuania [a]
Luxembourg
Monaco
Netherlands
New Zealand
Norway
Poland [a]
Portugal
Romania
Russian Federation [a]
Spain
Slovakia [a]
Slovenia [a]
Sweden
Switzerland
Turkey
Ukraine [a]
United Kingdom of Great Britain and Northern Ireland
United States of America

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[a] Countries that are undergoing the process of transition to a market economy